

**CITY OF COSTA MESA**

**CANNABIS USE PERMIT  
AND BUSINESS PERMIT FEE ANALYSIS  
SCHEDULED FOR JUNE 1, 2021 CITY COUNCIL REVIEW**

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# OVERVIEW

## **WITH ADOPTION OF MEASURE X**

### **Ü The City currently collects fees for:**

- Conditional Use Permit Application Review and Processing
- Marijuana Business Permit Issuance
  - Initial Permit Issuance
  - Modification of Permit
- Marijuana Business Employee Badge Issuance

**Fees were originally adopted to address businesses authorized to operate under the guidelines and standards adopted as part of the City's Measure X**

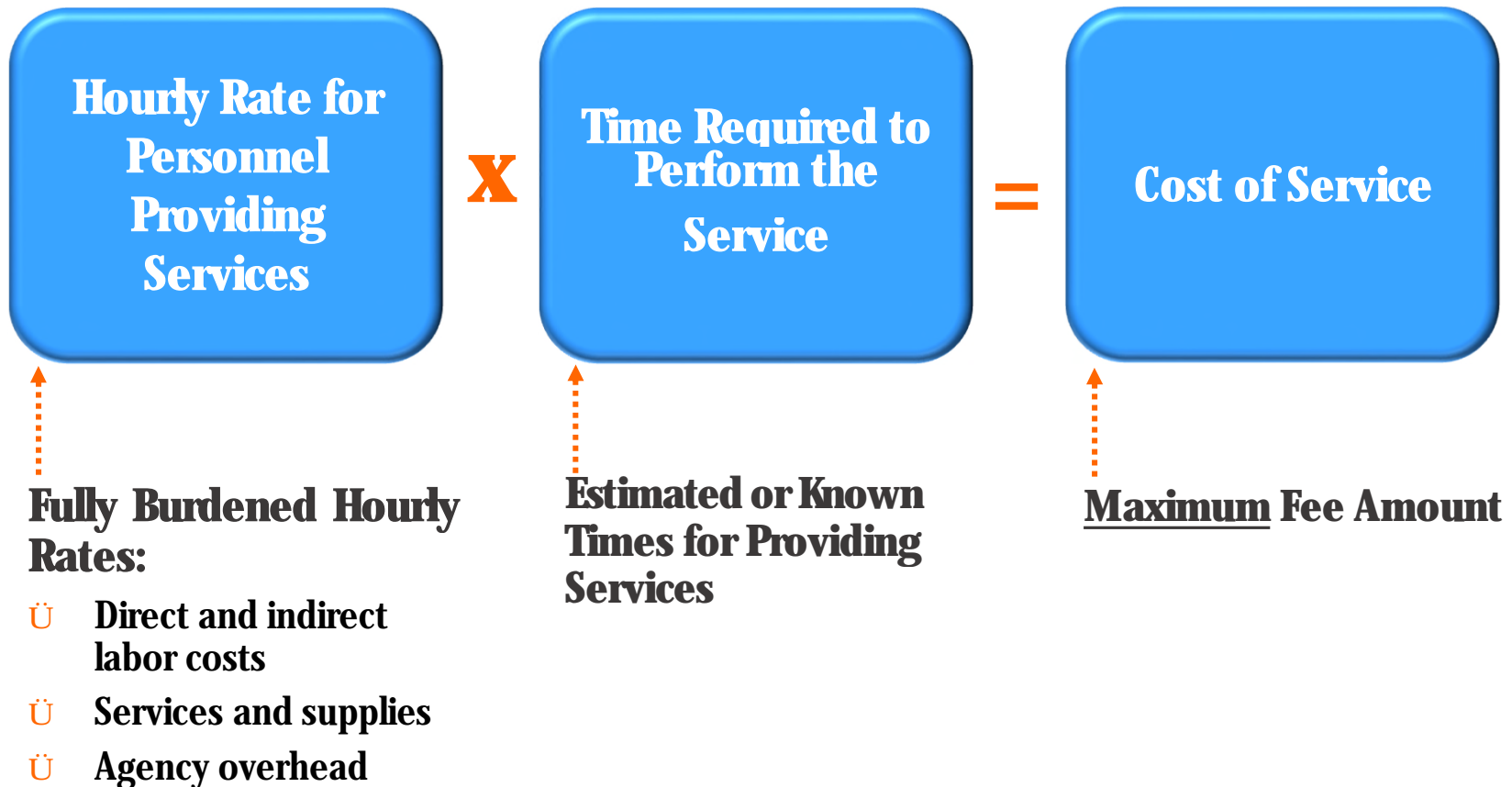
## **RECENTLY ADOPTED MEASURE Q**

### **Ü The City has recently adopted Measure Q, which will allow for additional marijuana related businesses. To ensure fees reflect the costs of permitting and regulating marijuana related businesses:**

- Anticipated costs of permitting and regulatory services have been calculated
- Proposed fees have been drafted for City Council review

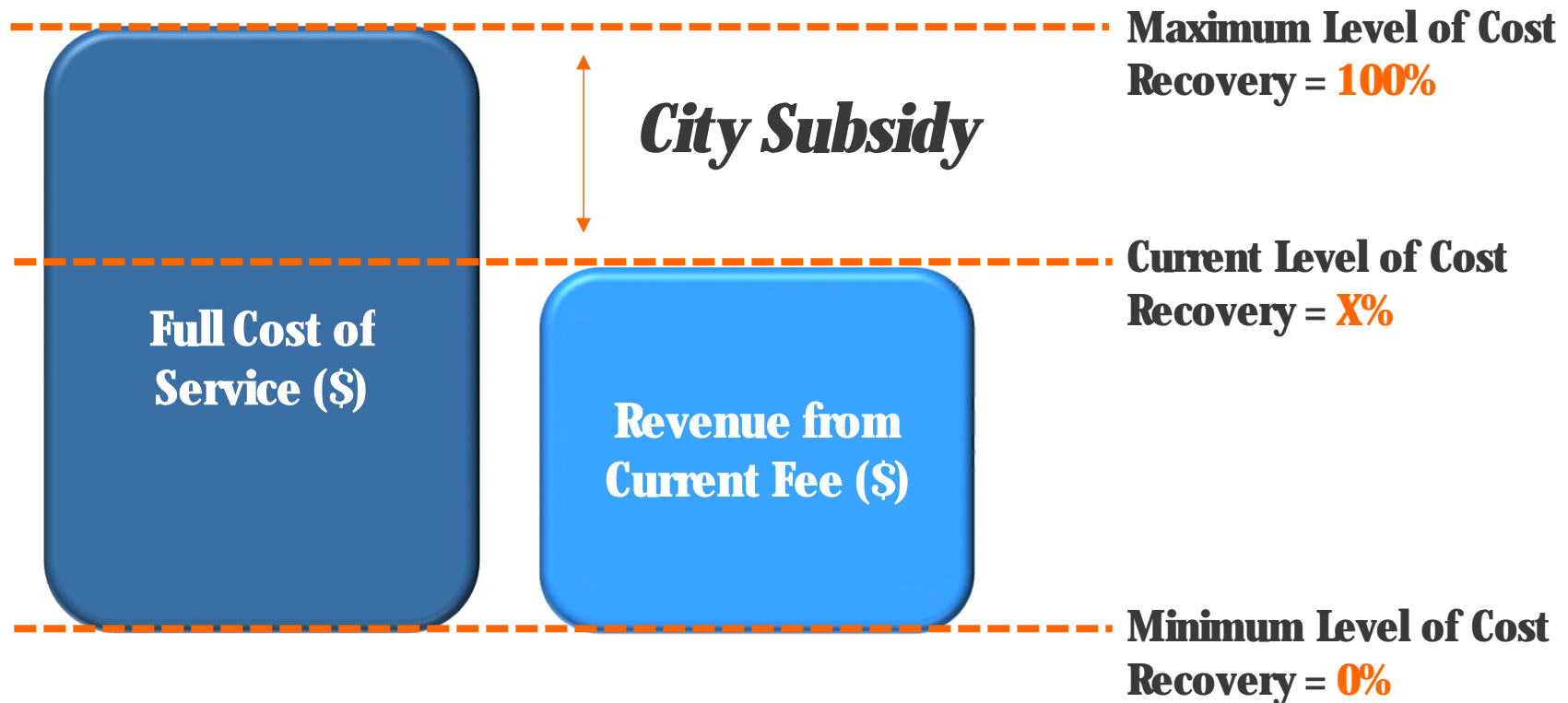
# DERIVING THE COST OF SERVICE

*Apply fully burdened hourly labor rates to time required to perform*



# EVALUATING COST RECOVERY

*Compare full cost of service to revenues available to fund activities*  
*Set policy for targeted recovery within the spectrum*



# PERMIT TYPES

Description	Frequency
1 Conditional Use Permit	One-Time
2 Marijuana Business Permit - Initial Application	One-Time
3 Marijuana Business Permit - Renewal Application	Two-Year Permit
4 Marijuana Business Permit Modification - Major	As Needed
5 Marijuana Business Permit Modification - Minor	As Needed
6 Marijuana Business Permit - Employee Badge	As Needed

# COST OF SERVICE ANALYSIS

## COST RECOVERY ANALYSIS

### Ü Conditional Use Permit

- One-Time Permit to Determine Whether Proposed Facility Meets Requirements for Approved Use
- Requires In-Depth Review from Multiple City Departments

Description		Current Fees	Cost of Service	Proposed Fee	Fee Change	Proposed Recovery
<u>Conditional Use Permit</u>						
1	Conditional Use Permit - Measure X Facility	\$27,508	\$21,529	\$21,529	(\$5,979)	100%
2	Conditional Use Permit - Measure Q Facility	n/a	\$18,499	\$18,499	n/a - new	100%

# COST OF SERVICE ANALYSIS

## COST RECOVERY ANALYSIS

### Ü Business Permit

- **Initial Permit:** Issued to Authorize Business to Operate. Permit fees intended to recover costs of initial authorization and on-going business regulation through permit renewal
- **Renewal Permit:**
  - Two-year permit to authorize and regulate on-going business operations. Fee is currently \$0 (no charge). City cost recovery is currently 0%.
  - Regulation of cannabis facilities continues during life of the business. City costs of service continue (e.g. field inspections for compliance with terms of use permit)
  - Consider recalibration of renewal permit fee to match cost of service

	Description	Current Fees	Cost of Service	Proposed Fee	Fee Change	Proposed Recovery
	<b><u>Marijuana Business Permit - Initial Application</u></b>					
1	Measure X Facility	\$21,525	\$20,380	\$20,380	(\$1,145)	100%
2	Measure Q Facility	n/a	\$19,732	\$19,732	n/a - new	100%
	<b><u>Marijuana Business Permit - Renewal Application</u></b>					
3	Measure X Facility	\$0	\$16,996	\$16,996	\$16,996	100%
4	Measure Q Facility	n/a	\$16,348	\$16,348	n/a - new	100%

# COST OF SERVICE ANALYSIS

## COST RECOVERY ANALYSIS

### Ü Business Permit Modification and Employee Badge Issuance

- **Business Permit Modification:** Fee collected to review requests for modifications to terms of business permit.
- **Employee Badge Issuance:** Fee collected per employee.

	Description	Current Fees	Cost of Service	Proposed Fee	Fee Change	Proposed Recovery
	<u>Marijuana Business Permit Modification - Major</u>					
1	Measure X Facility	\$2,516	\$3,099	\$3,099	\$583	100%
2	Measure Q Facility	n/a	\$3,099	\$3,099	n/a - new	100%
	<u>Marijuana Business Permit Modification - Minor</u>					
3	Measure X Facility	\$995	\$1,300	\$1,300	\$305	100%
4	Measure Q Facility	n/a	\$1,300	\$1,300	n/a - new	100%
	<u>Marijuana Business Permit - Employee Badge</u>					
5	Measure X Facility	\$341	\$631	\$631	\$290	100%
6	Measure Q Facility	n/a	\$631	\$631	n/a - new	100%



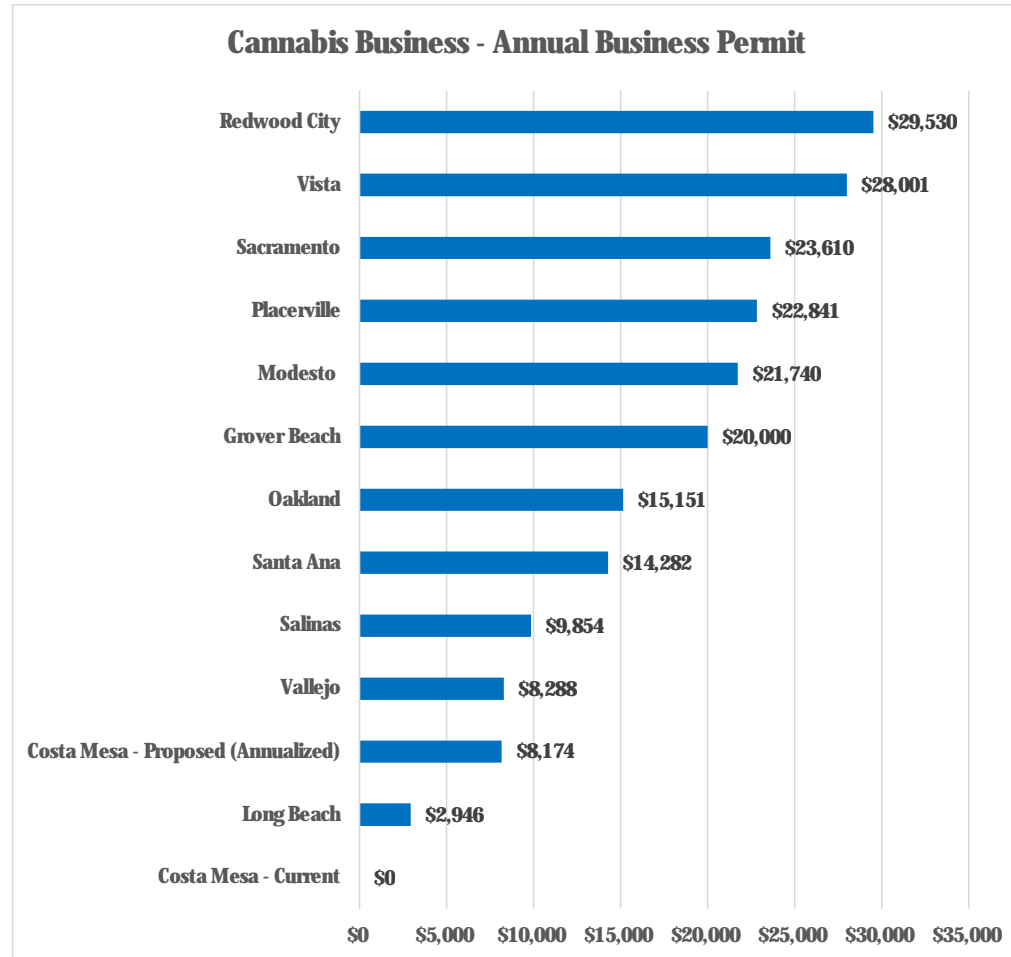
# COST OF SERVICE ANALYSIS

## COST RECOVERY ANALYSIS

Description	Current Fee	Cost of Service	Proposed Fee	Cost Recovery
1 Marijuana Business Permit - Renewal Application	\$0	\$16,348	\$16,348	100%

**Annualized Amount = \$8,174 per year**

# FEE COMPARISON



Source: Figures developed using information provided by HDL, with additions by City of Costa Mesa and ClearSource.

# COST OF SERVICE ANALYSIS

## COST RECOVERY ANALYSIS

Description		Annual Volume	Revenue at Full	Revenue at Proposed
<u>Conditional Use Permit</u>				
1	Conditional Use Permit - Measure X Facility	2	\$43,058	\$43,058
2	Conditional Use Permit - Measure Q Facility	15	\$277,485	\$277,485
<u>Marijuana Business Permit - Initial Application</u>				
3	Measure X Facility	2	\$40,760	\$40,760
4	Measure Q Facility	15	\$295,980	\$295,980
<u>Marijuana Business Permit - Renewal Application</u>				
5	Measure X Facility	6	\$101,976	\$101,976
6	Measure Q Facility	8	\$130,784	\$130,784
<u>Marijuana Business Permit Modification - Major</u>				
7	Measure X Facility	1	\$3,099	\$3,099
8	Measure Q Facility	1	\$3,099	\$3,099
<u>Marijuana Business Permit Modification - Minor</u>				
9	Measure X Facility	1	\$1,300	\$1,300
10	Measure Q Facility	1	\$1,300	\$1,300
<u>Marijuana Business Permit - Employee Badge</u>				
11	Measure X Facility	100	\$63,050	\$63,050
12	Measure Q Facility	150	\$94,575	\$94,575
13	Total		\$1,056,465	\$1,056,465

<<< 100% cost recovery

**CITY OF COSTA MESA**

**USER AND REGULATORY FEE UPDATE**

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# **DISCUSSION & QUESTIONS**

**ClearSource** Financial Consulting

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